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The Heart of Southern California  
Wine Country

Fiscal Year 2016-17  
Annual Operating Budget  
&  
Capital Improvement Program

City Council Meeting  
June 14, 2016



# Budget Workshop Agenda

- Introduction
- FY2016-17 Highlights
  - 5-Year Capital Improvement Program
  - Annual Operating Budget
  - Temecula Community Services District
- 5-Year Financial Plan
- Join the Conversation Update
- Discussion

# Introduction

- FY2016-17 is Fiscally Balanced
  - Improving revenues
  - Concerned about fiscal outlook
- FY2015-16 Recap
  - Noted Looming Structural Budget Challenge
  - Council Subcommittee Formed
  - Community Feedback



# Introduction

- History of Balanced Budgets
  - Strategic Decisions
  - Reduced expenditures to match expected revenues
    - Reduced 52.5 benefitted positions
    - Maintain vacant positions in Police
  - Preserved Economic Uncertainty reserves
- Balancing Future Budgets
  - Necessary cuts are contrary to Preliminary Community Feedback





# Introduction

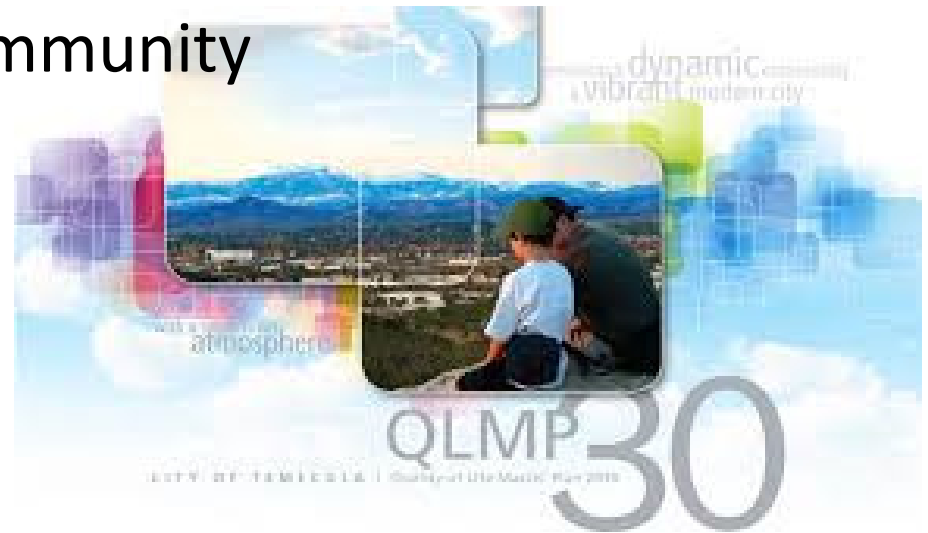


## • City Profile

- Population: 109,064 (up 0.13% from 2015)
- Median Age: 34.5 years (up from 34 in prior year)
- Number of Households: 34,559 (up 2% from prior year)
- Average Household Income: \$94,001 (up 9.5% from prior year)
- April Median Home Price: \$435,000 (up 8% from April 2015)
- Number of Jobs: 50,493 (up 2.4% over prior year)
- Temecula Unemployment (April): 4.1% (down 0.4% from prior year)

# Introduction

- Quality of Life Master Plan Core Values
  1. Healthy and Livable Community
  2. Economic Prosperity
  3. A Safe and Prepared Community
  4. A Sustainable City
  5. Transportation Mobility and Connectivity
  6. Accountable and Responsive City Government



# Fiscal Years 2017-21 Capital Improvement Program



# Capital Improvement Program

Fiscal Years 2017-21

## Highlights:

- 49 Capital Projects
- \$485.4M in total project costs
  - \$352.9M programmed to complete projects
  - \$132.5M spent-to-date
  - \$194.8M funded
- \$32.5M appropriated in FY16-17
- \$66.5M carried over from prior years

# Capital Improvement Program

Fiscal Years 2017-21

Type of Project	Number of Projects	Cost to Completion
Circulation	19	\$299,177,754
Infrastructure/Other	23	\$35,031,390
Parks and Recreation	6	\$6,206,943
SARDA/Housing	1	\$12,480,632
<b>TOTAL</b>	<b>49</b>	<b>\$352,896,719</b>



# Capital Improvement Program

Fiscal Years 2017-21

## New CIP Projects

- Ynez Road Improvements (\$3.4M)
  - ✦ Road widening from Rancho Vista to La Paz
- Fiber Optic Communications System Upgrades (\$1.3M)
  - ✦ \$1.2M grant-funded (HSIP)
- 6<sup>th</sup> Street Sidewalks Improvements (\$93k)
  - ✦ \$73k grant-funded (BEYOND)
- Teen Center (\$8.7M *unspecified funding*)
  - ✦ Design (\$645k) to be funded in FY17-18
- Public Safety Tribute/Memorial (unfunded)



# Capital Improvement Program

Fiscal Years 2017-21

## Circulation Projects

19 Projects totaling \$299,177,754

- French Valley Parkway/  
I-15 Phase II (\$52.7M)
- I-15/State Route 79  
Ultimate Interchange (\$50.7M)
- Pechanga Parkway  
Widening (\$5.0M)





# Capital Improvement Program

Fiscal Years 2017-21

## Circulation Projects

19 Projects totaling \$299,177,754

○ Pavement Rehabilitation Program (FY16-17 = \$6.1M)

- ✦ Overland Drive (\$450k)
- ✦ Temecula Parkway (\$550k)
- ✦ Margarita Road (\$4M)





# Capital Improvement Program

Fiscal Years 2017-21

## Infrastructure Projects

23 Projects totaling \$35,031,390

- Library Parking – Phase II (\$2.9M)
- Temecula Park & Ride (\$2.7M)
- Technology Projects (\$2.1M)
  - ✦ Fiber Optic Communications
  - ✦ Citywide Surveillance
- Sidewalk Projects (\$951k)
- Bike Lane & Trail Program (\$464k)
- City Facilities Rehabilitation (\$365k)
- ADA Transition Plan (\$250k)



# Capital Improvement Program

Fiscal Years 2017-21



## Parks & Recreation Projects

6 Projects totaling \$6,206,943

- Pennypickle's Workshop Enhancement Project (\$83.9k)
- Flood Control Channel Reconstruction and Repair (\$370k)
- Park Improvement Program (\$321k)
- Playground Equipment Enhancement and Safety Surfacing (\$1M)
- Sam Hicks Monument Park Playground Enhancement (\$714k)



# Capital Improvement Program

Fiscal Years 2017-21

## SARDA/Housing Projects

Available Funding \$12,480,632

### ○ Affordable Housing

- ✦ Remaining 2010 & 2011 bond proceeds
- ✦ Specific Project(s) to be identified
  - RFP closed in May
  - Staff to review proposals with the Supportive Housing Subcommittee



# Capital Improvement Program

Fiscal Years 2017-21

## CIP Presentations:

- May 26<sup>th</sup> - Public Traffic Safety Commission
- June 1<sup>st</sup> - Planning Commission
- June 13<sup>th</sup> - Community Services Commission

Tonight, staff recommends that the City Council adopt  
Fiscal Years 2017-21 Capital Improvement Program







# Fiscal Year 2016-17 Annual Operating Budget



# FY16-17 Annual Operating Budget

## General Fund Highlights

Revenue	\$69,409,540
<u>Expenditures</u>	<u>\$69,139,252</u>
Revenue – Expenditures	\$270,288

### General Fund Contributions:

- Capital Improvement Projects	\$1,050,973
- Pavement Rehabilitation	\$250,000
- City & Parks Facility Rehabilitation	\$295,000
- <u>Business Incubator Fund</u>	<u>\$295,045</u>
Total Contributions to Other Funds	\$1,891,018

# FY16-17 Annual Operating Budget

## General Fund

• 7/1/16 Beginning Fund Balance	\$27,507,235
• <b>6/30/17 Ending Fund Balance</b>	<b>\$25,886,506</b>
• Reserved for Economic Uncertainty (20%)	\$13,827,850
• Secondary Reserve (5%)	\$3,456,963
• Assigned to Pechanga-funded Police Support	\$312,120
• Assigned to Capital Projects	\$847,000
• Available Fund Balance	\$7,442,573



# FY16-17 Annual Operating Budget

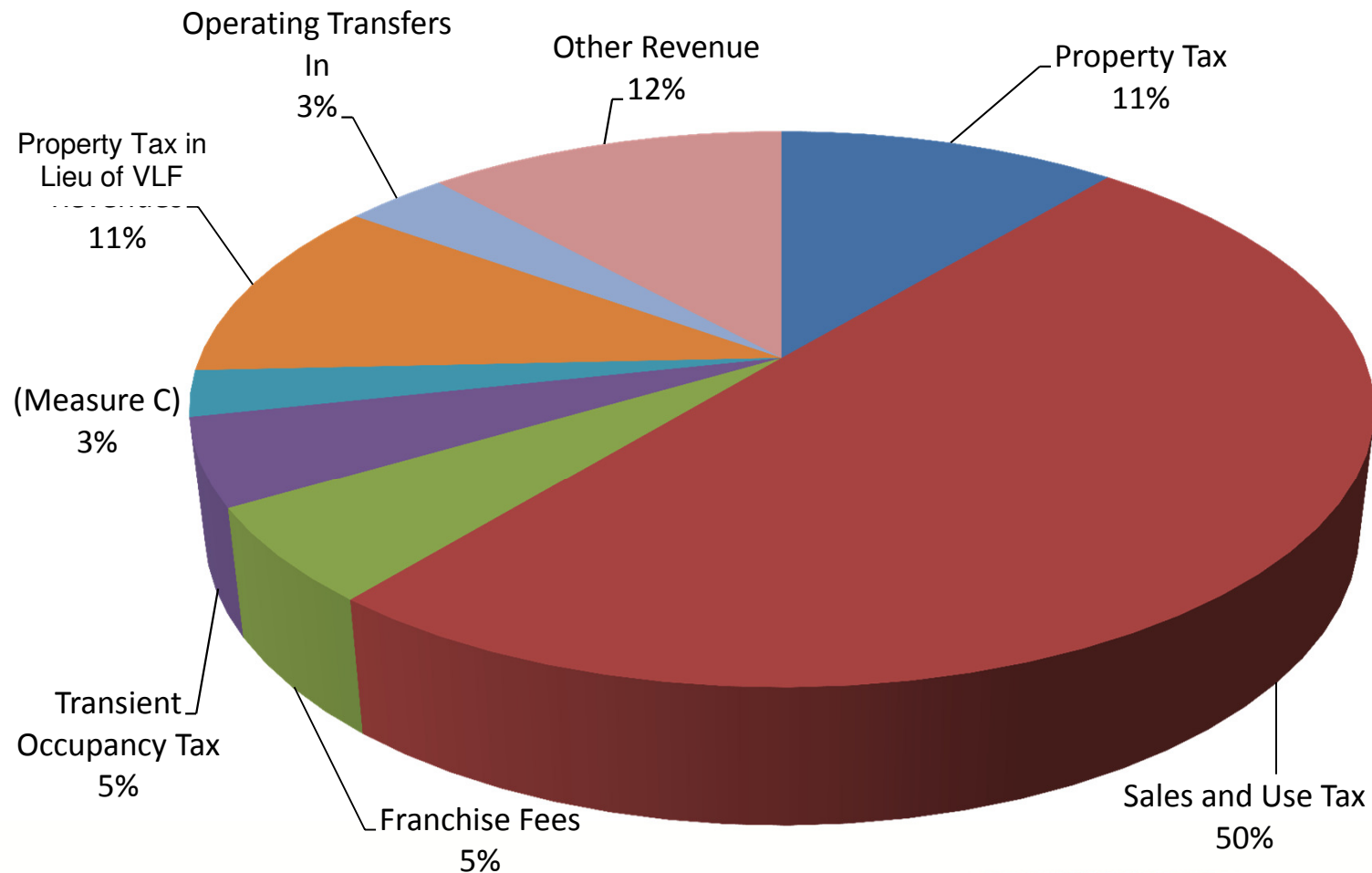
General Fund Revenue = \$69,409,540

<b>General Fund Revenue</b>	<b>FY16-17 Budget</b>	<b>% Change</b>	<b><u>Assumptions</u></b>
Property Tax	7,684,429	2.3%	Increased property values
Sales and Use Tax	34,612,665	-1.6%	One-time adjustment in prior year
Franchise Fees	3,864,951	2.4%	Anticipated inflation
Transient Occupancy Tax	3,540,414	8.2%	Increased Occupancy and Rates
Special Tax (Measure C)	1,852,879	0.0%	Flat compared to prior year
Licenses, Permits and Service Charges	4,227,424	-1.2%	Less Planning Permits & Parking Citations
Property Tax in Lieu of VLF	7,391,297	3.8%	Increased property values
Reimbursements	2,855,780	21.8%	Addition of Pechanga IGA (\$312k)
Operating Transfers In	2,341,365	-22.4%	Lower Gas Tax transfer
Other Revenue	1,038,336	57.9%	Prior year adj for loss in investments
<b>Total Revenues</b>	<b>69,409,540</b>	<b>-0.2%</b>	

*Absent the Triple Flip payment in FY15-16, Revenue is projected to increase 4.6% over the prior year.*

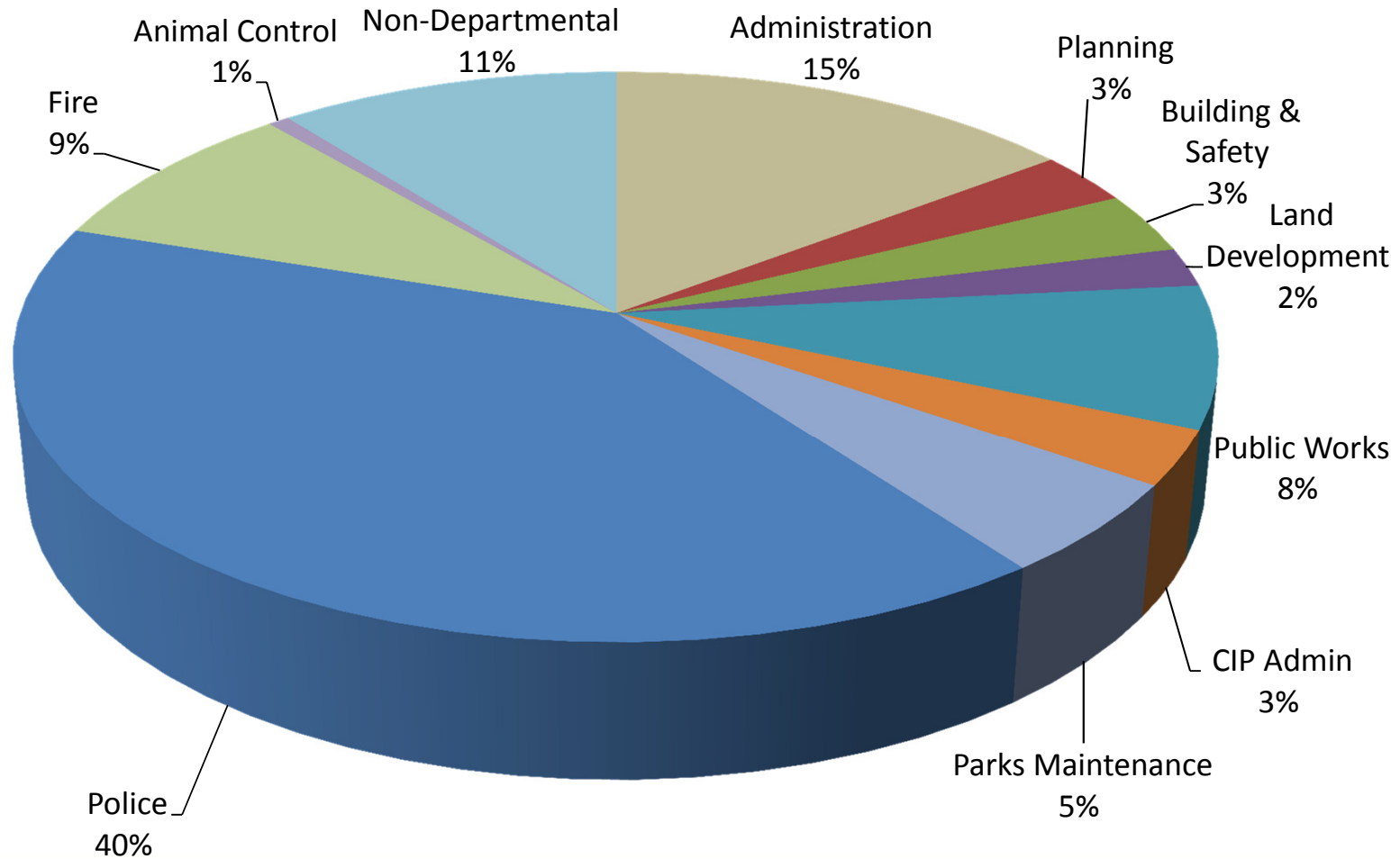
# FY16-17 Annual Operating Budget

General Fund Revenue = \$69,409,540



# FY16-17 Annual Operating Budget

General Fund Expenditures = \$69,139,252



# FY16-17 Annual Operating Budget

## General Fund Expenditures:

- Police Department (40.2% of General Fund)
  - Operating budget = \$27,782,478
  - Includes replacement of motorcycle (\$30k) & Police service dog (\$21k)
- Total staffing = 135
  - 100.5 sworn officers
  - 19 community service officers
  - 16 administrative
  - Includes 1 new sworn officer
    - Added 1/1/17 (per Pechanga IGA)





# FY16-17 Annual Operating Budget

## General Fund Expenditures:

- Police Department (continued)
  - Assumes 8% increase in Sheriff Contract
- Continuation of 5 vacant dedicated positions (\$1.2M)
  - SET Officer
  - Motorcycle Officer
  - Accident Investigator
  - 2 Community Service Officers
- Continued cost sharing arrangement with TVUSD (\$356k)
  - 50% for 5 School Resource Officers



# FY16-17 Annual Operating Budget

## General Fund Expenditures:

- Fire Department (9% of General Fund)
  - Total Staffing = 65
  - Operating Budget = \$13,137,797
    - Less Fire Tax Credit of \$8,280,101
    - General Fund impact of \$6,011,237



- 2% increase over prior year
- Maintaining staffing ratio of 4 personnel/engine

# FY16-17 Annual Operating Budget

## General Fund Expenditures:

- Community Support Grants (non-profits) = \$89,108
  - \$60,000 annual allocation
  - \$4,108 additional from 2016 Rod Run proceeds
  - \$25,000 Council discretionary funding
- TCSD Funding Contribution = \$5,879,245
  - Recreation = \$4,848,307
  - Library = \$649,542
  - Service Level B – Residential Street Lights = \$381,396

# FY16-17 Annual Operating Budget

## Other Expenditures

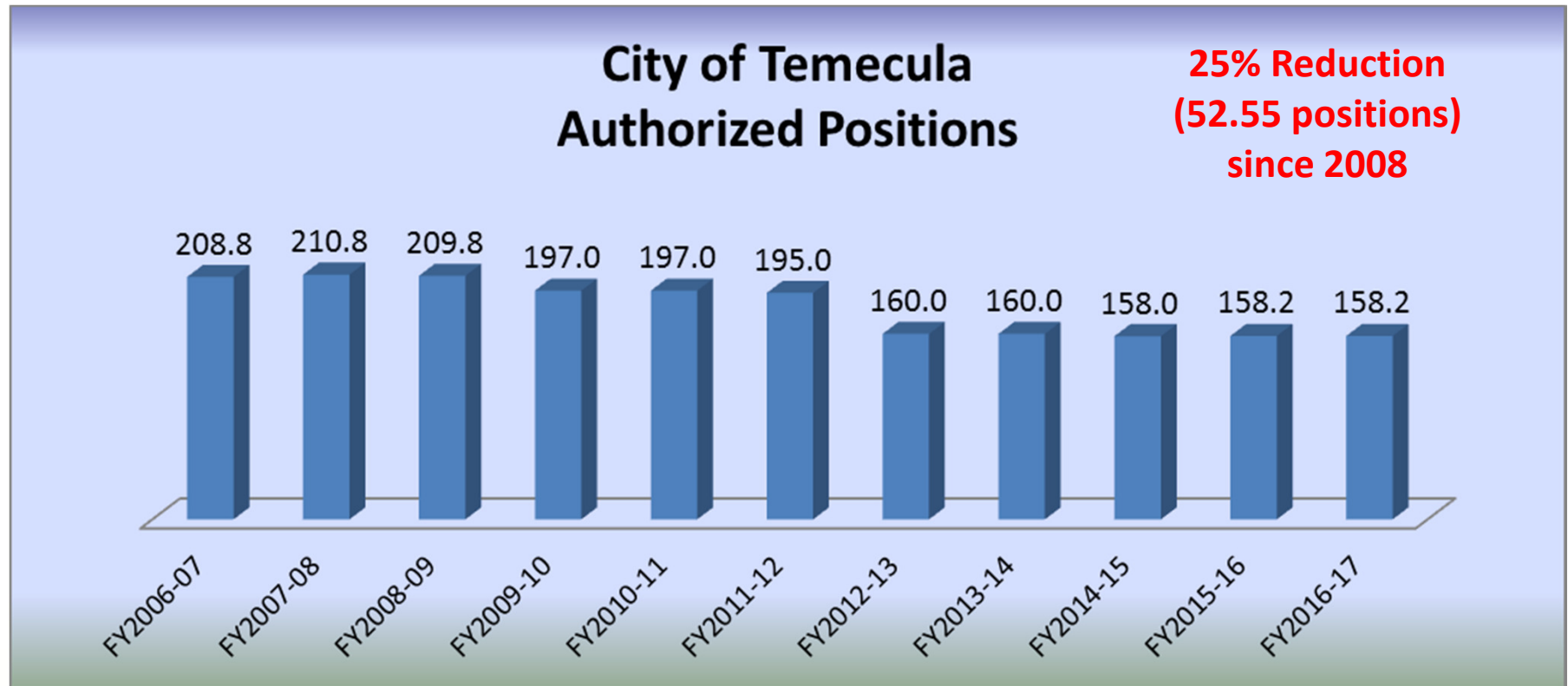
- Capital Outlay
  - Public Works crack-seal machine - \$63k (Gas Tax funded)
- Technology Investment (\$187.5k from Replacement Fund)
  - Library firewall replacement - \$50k
  - UPS (power supply) for library - \$7.5k
  - Public Wi-Fi upgrade - \$50k
  - UPS battery replacement Civic Center - \$30k
  - Annual computer equipment lifecycle program - \$50k
- Public, Education & Government (PEG) Investment
  - \$250k in equipment to support PEG-eligible activities



# FY16-17 Annual Operating Budget

## Maintain Reduced Staffing/Salaries & Benefits

- Staffing levels – 158.2 Authorized Positions
  - including 5 Council Members



# FY16-17 Annual Operating Budget

## Maintain Staffing/Salaries & Benefits, continued

- Implementation of Reclassification Plan recommendations and Salary Schedule B through the filling of vacant positions
  - 26 positions on Salary Schedule B
- CalPERS pension increase of \$296k
  - Actuarial assumptions changed by CalPERS Board
  - Employer Contribution rate increased from 23.8% to 26%

# FY16-17 Annual Operating Budget

## Maintain Staffing/Salaries & Benefits, continued

- Pre-payment of CalPERS Pension liability
  - Annual savings of \$124k
- Contribution to Workers' Compensation Fund of \$646k
  - Increases the Self-Insured Retention (SIR) reserve to \$810k
  - Target reserve level is \$1.5M
- Memorandum of Understanding expires 6/30/17





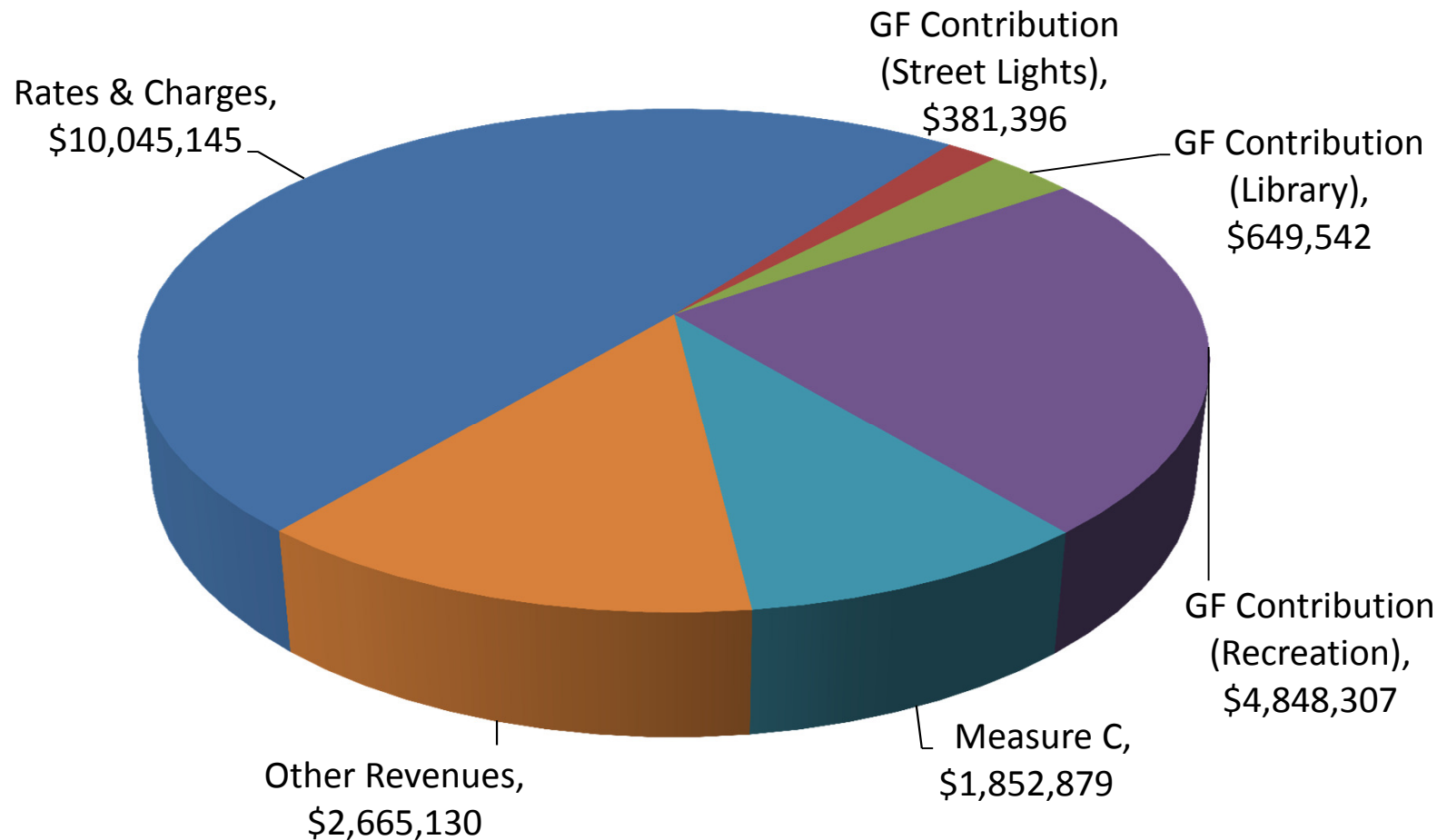


# Temecula Community Services District (TCSD)



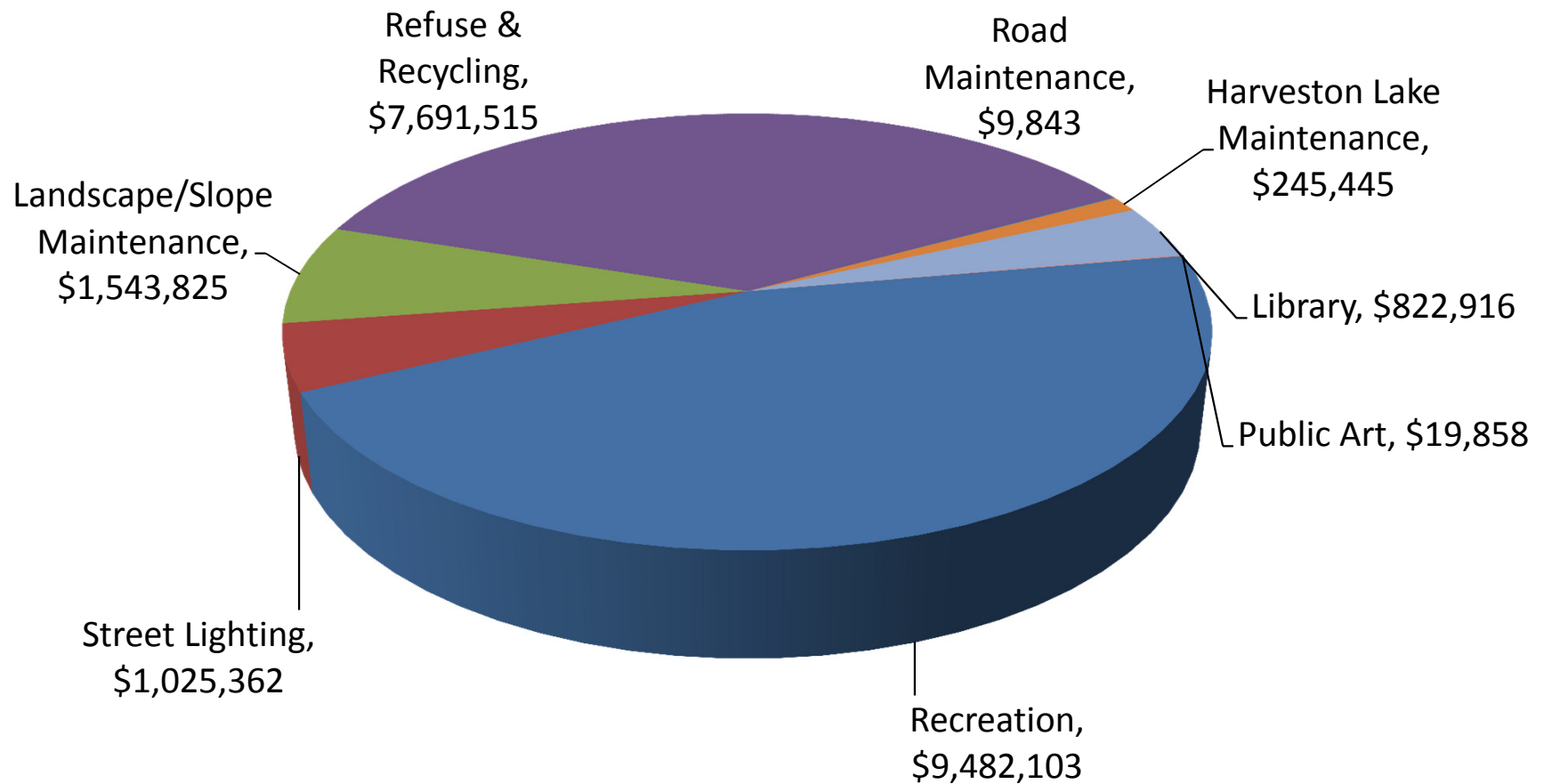
# FY16-17 Annual Operating Budget

TCSD Revenue = \$20,517,431



# FY16-17 Annual Operating Budget

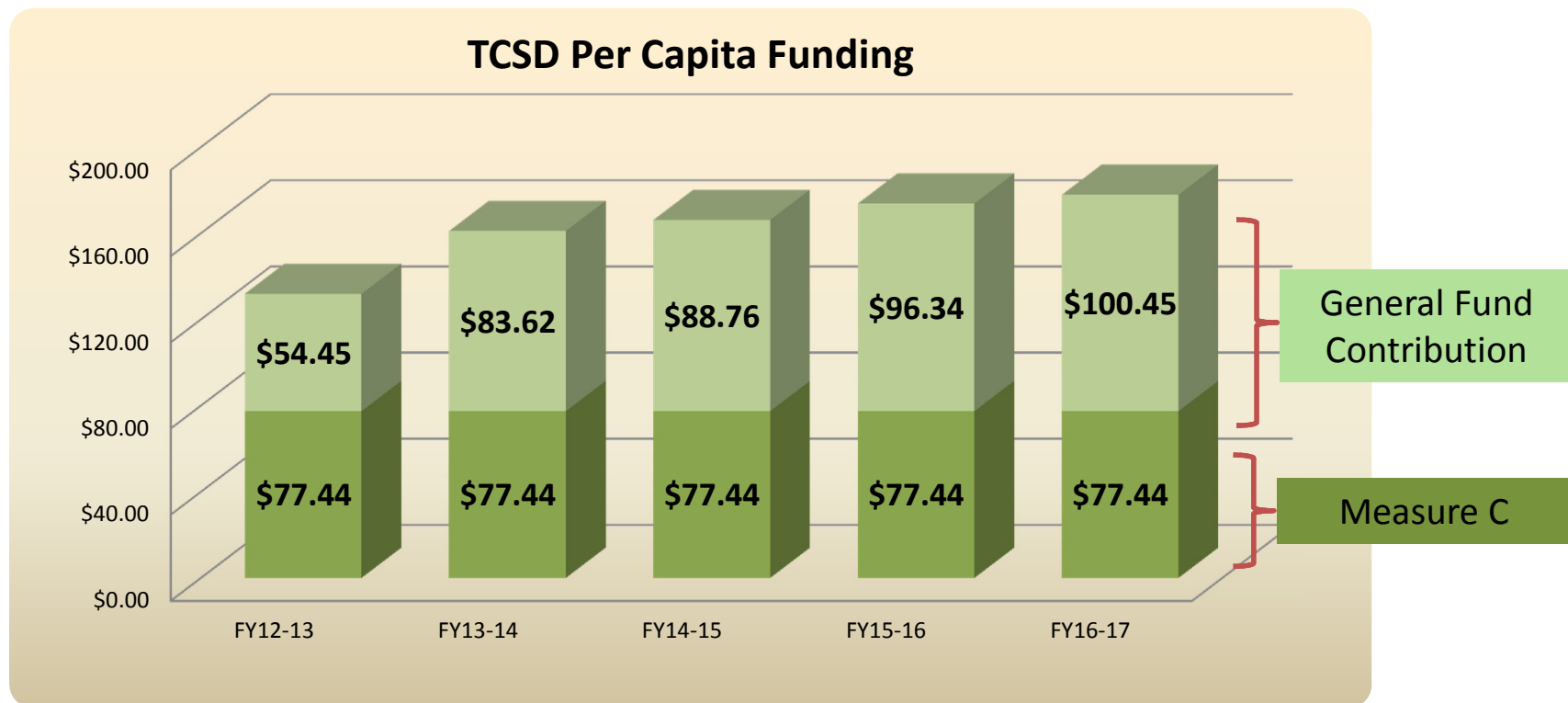
TCSD Expenditures = \$20,840,867



# FY16-17 Annual Operating Budget

## TCSD Per Capita Funding

- Measure C was set in 1997 at \$74.44/household
- FY2016-17 projected cost = \$177.89/household

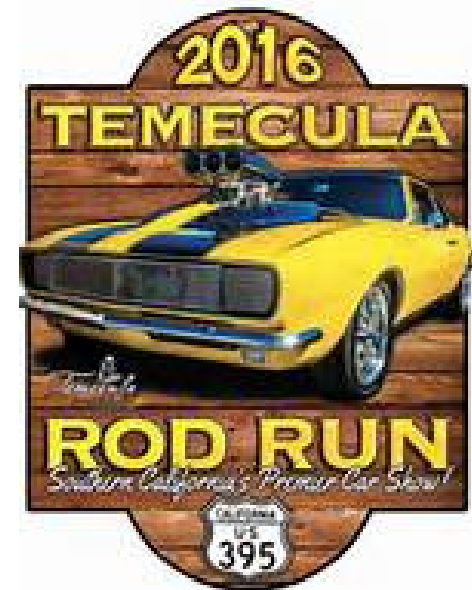




# FY16-17 Annual Operating Budget

## Temecula Community Services District (TCSD)

- Program Highlights
  - Rod Run event in Old Town
  - Signature, Special & Community Events
    - 4<sup>th</sup> of July parade
    - Fireworks show
    - Santa's Electric Light parade
    - Temecula on Ice
    - Veterans Day event
    - 9/11 ceremony
  - Collaboration with Old Town Temecula Association and Visit Temecula Valley on seasonal attractions



# FY16-17 Annual Operating Budget

## Temecula Community Services District

- Program Highlights
  - Utilization of former YMCA facility to offer additional contract classes
  - Continuation of Human Services programs
    - Expanded programming at Eagle Soar Playground & Splash Pad
    - Explore recommendations from the Senior Services Master Plan process
  - Expand Museum outreach to elementary schools
    - Temecula Treasures program



# FY16-17 Annual Operating Budget

## Temecula Community Services District (TCSD)

- Program Highlights
  - Quality sports, recreation and aquatics programs
  - Safeguarding of our parks and open spaces through the Park Ranger program
  - “Responsible Compassion” program administration



# Successor Agency to the Redevelopment Agency (SARDA)





# FY16-17 Annual Operating Budget

## SARDA Operating Budget

- Debt Service \$6,608,559
- Enforceable Obligations \$1,246,499
  - Abbott OPA
  - Abbott DDA
  - Affordable Housing Obligations





# Recommendation

Staff recommends adoption of the  
Fiscal Year 2016-17 Operating Budgets  
and the Fiscal Years 2017-21 Capital  
Improvement Program





# 5-Year Financial Plan



## 5-Year Financial Plan

### Long Range Financial Plan

- Long-range, responsible fiscal planning serves as a valuable tool to evaluate the City's ability to fund programs and services
  - Alerts decision makers early enough to course-correct if trends indicate financial concerns
- 5-Year projections are prepared for the General Fund and TCSD



# 5-Year Financial Plan

## General Fund

- Operating Revenues are projected at a realistic growth rate, based on known trends and information
- Expenditures are outpacing revenues due to:
  - Rising Public Safety costs
    - Police ~5-8% growth per year
    - Fire ~2-7% growth per year
  - Rising CalPERS pension costs
    - City's rates projected to increase by 8% in next 5 years
    - Law Enforcement pension costs projected to increase by 11% in next 5 years



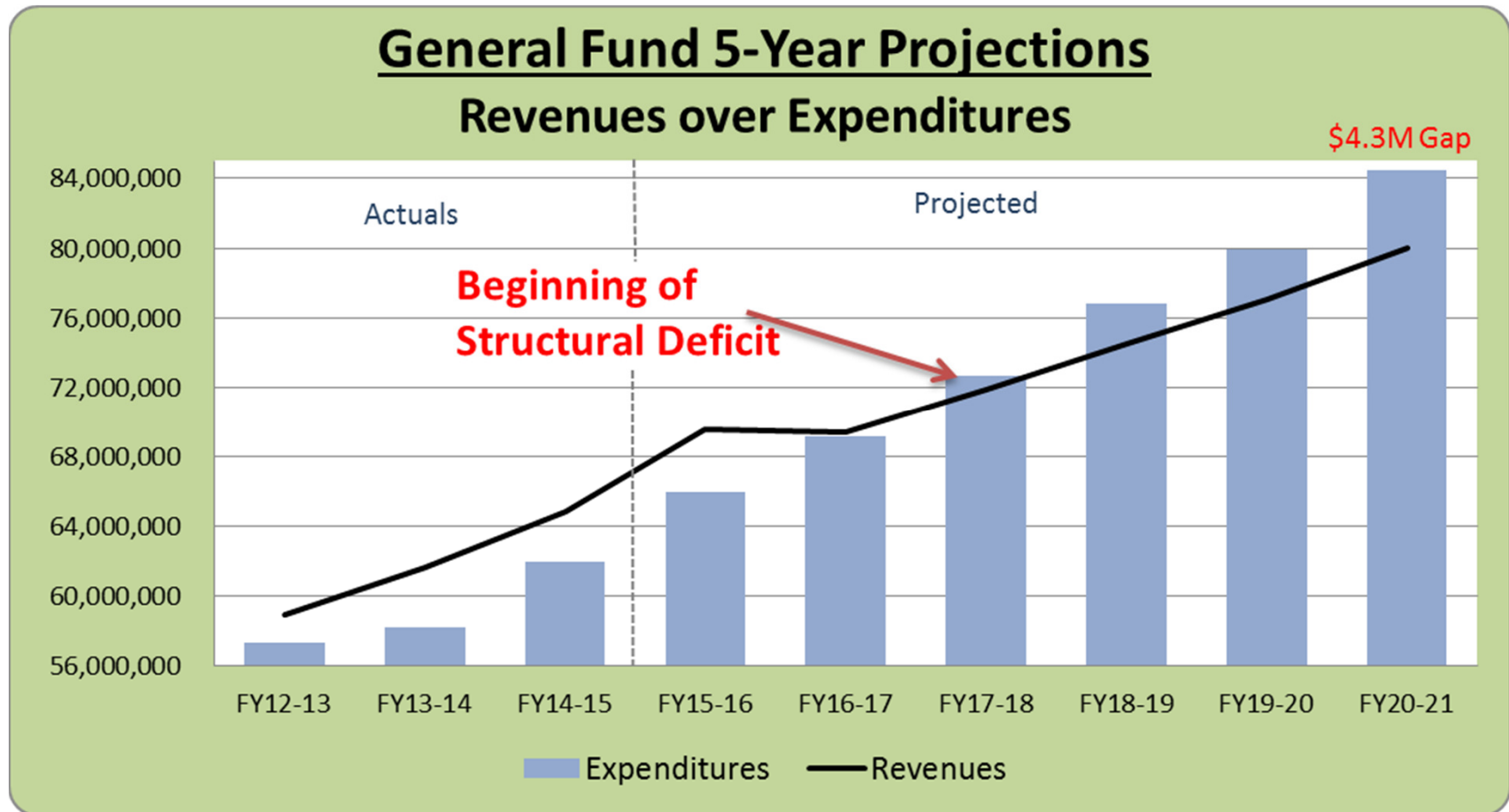
# 5-Year Financial Plan

## General Fund

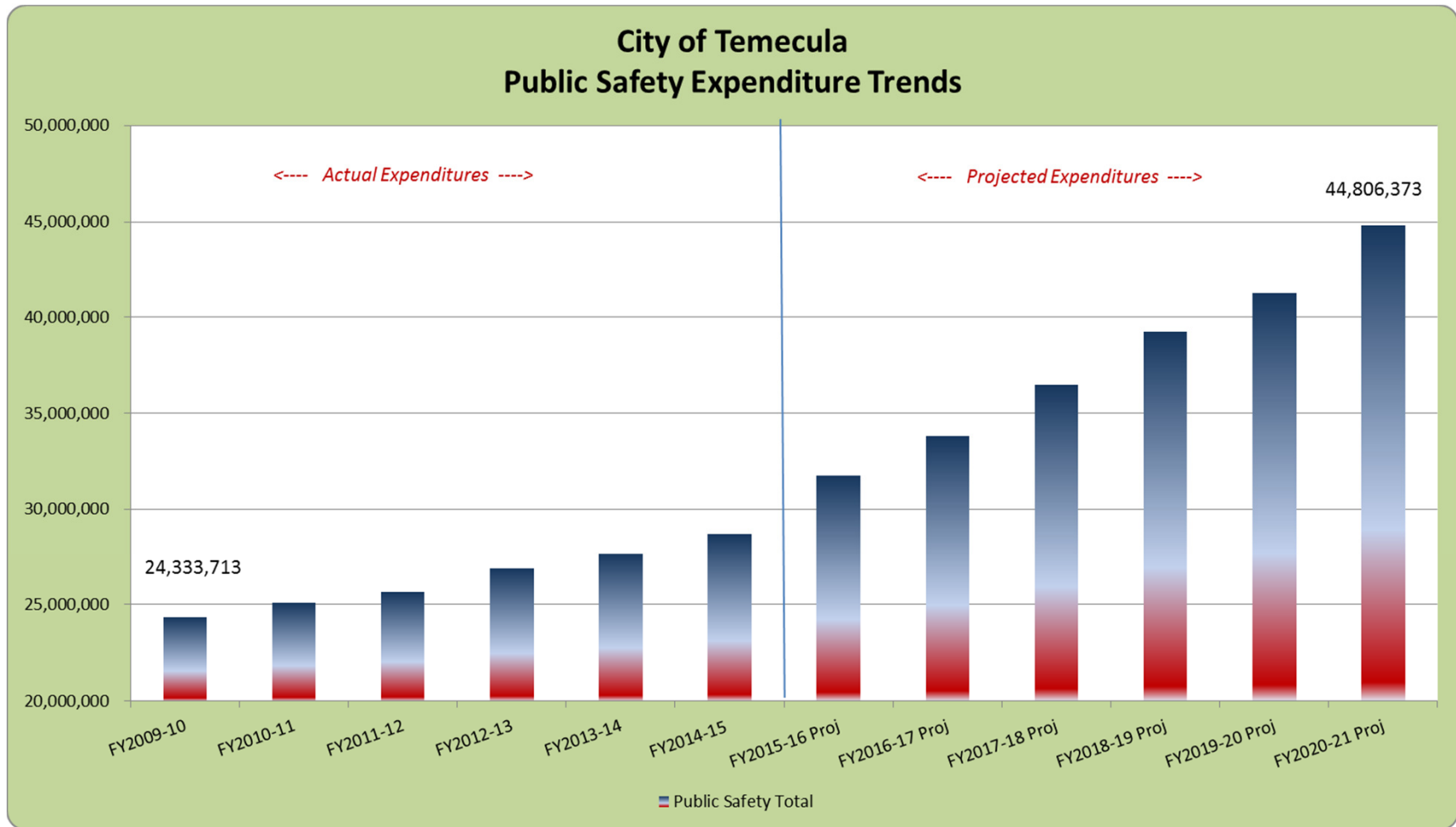
- A structural deficit is projected to occur beginning in Fiscal Year 2017-18
  - Revenues over Expenditures = (\$723,691)
- Fall short of meeting Policy-level reserves of 25% in FY 2018-19
- By Fiscal Year 2020-21, the projected structural deficit will reach \$4.5 million/year unless budget-balancing measures are not implemented within the next year
  - Fund Balance will fall from \$25.9M to \$13.4M

# 5-Year Financial Plan

## General Fund Trends – as of FY2016-17

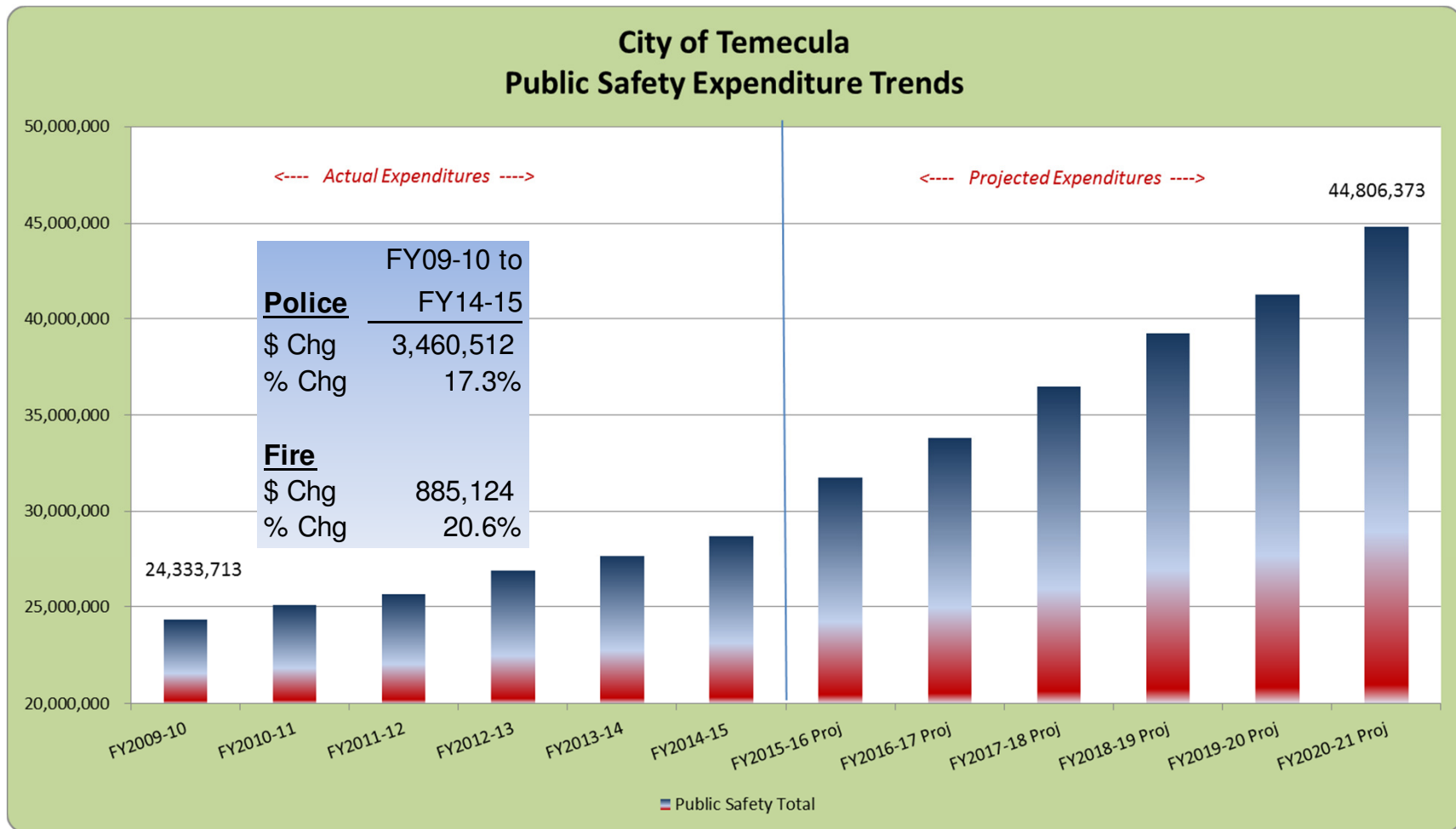


# 5-Year Financial Plan



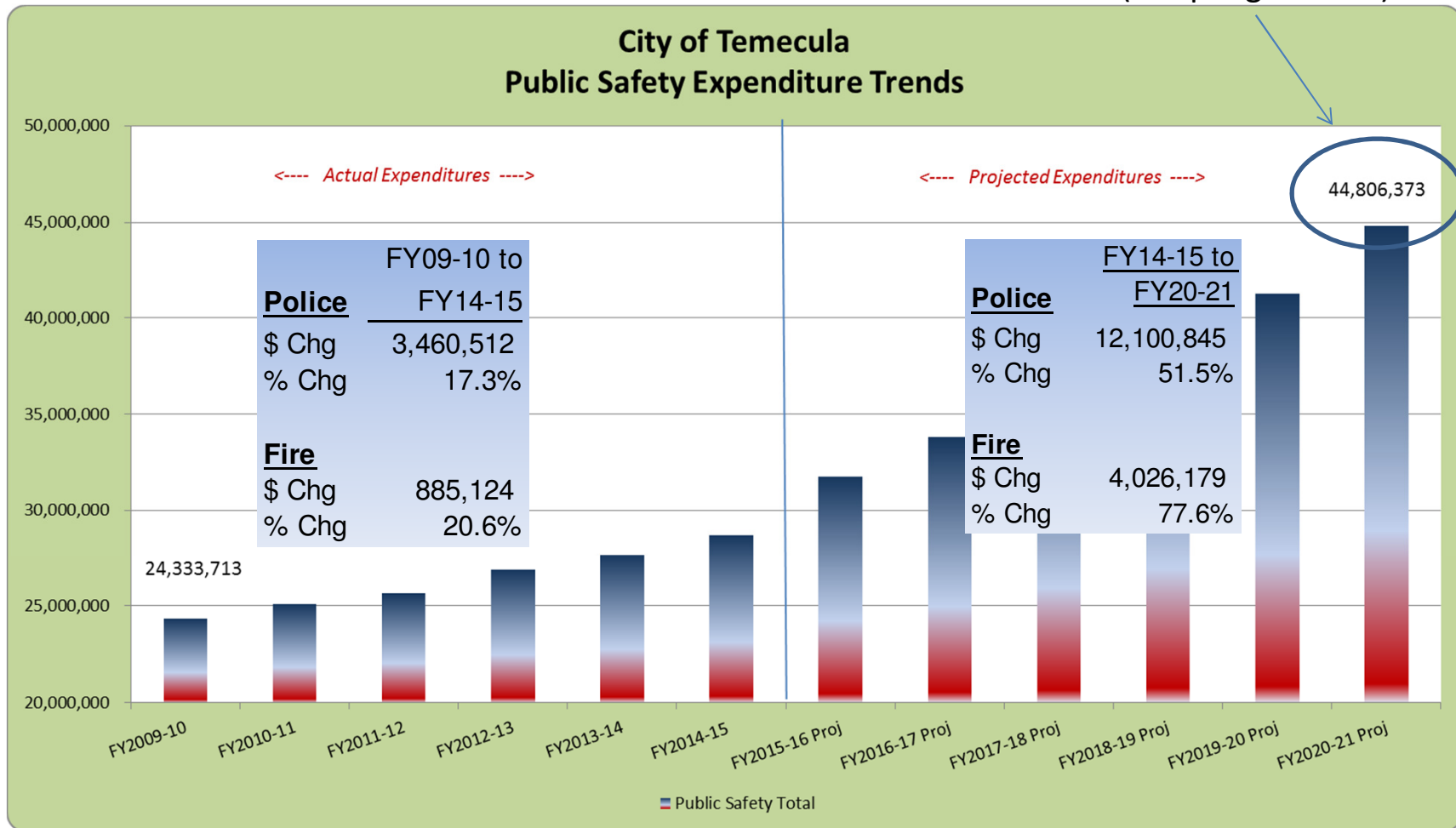


# 5-Year Financial Plan



# 5-Year Financial Plan

Includes the Opening of  
Fire Station No. 95  
(Roripaugh Ranch)

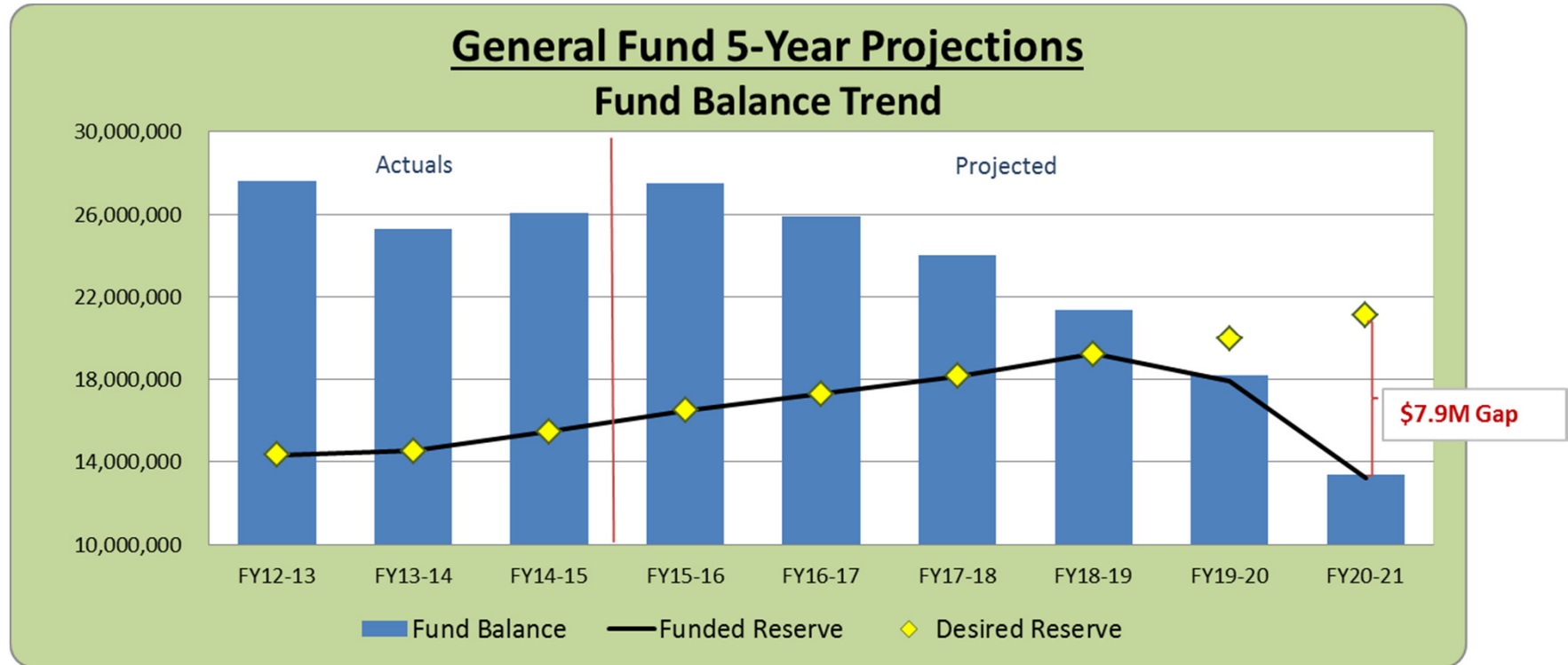


*Temecula is 9 officers below what is recommended for its population*

# 5-Year Financial Plan

## General Fund Balance

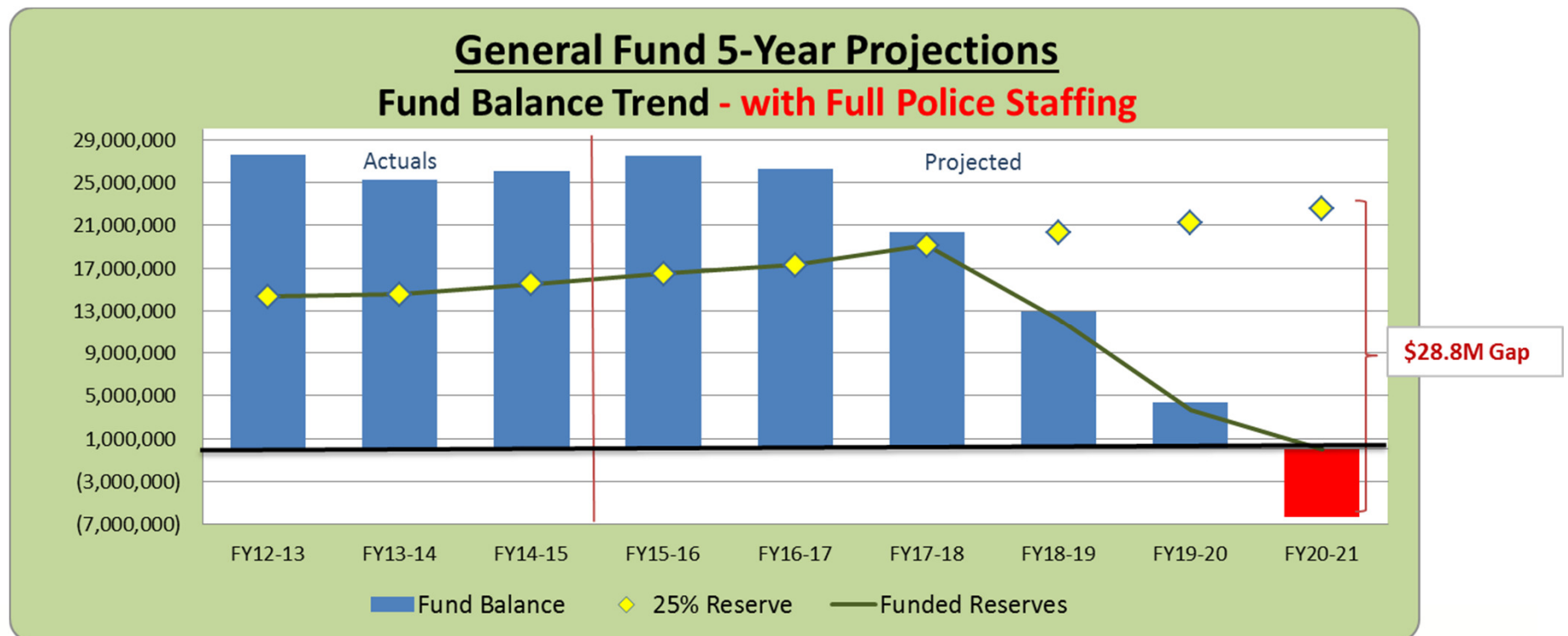
- With the projected structural deficit, the General Fund will be \$7.9M short in meeting its Policy-Level Reserves of 25% by 2020



# 5-Year Financial Plan

## General Fund Balance

- If the City maintained the 1:1000 ratio for Public Safety, General Fund Balance would be depleted by year 5
  - \$6.6M negative balance, \$28.8M short of Policy-level Reserves





# 5-Year Financial Plan

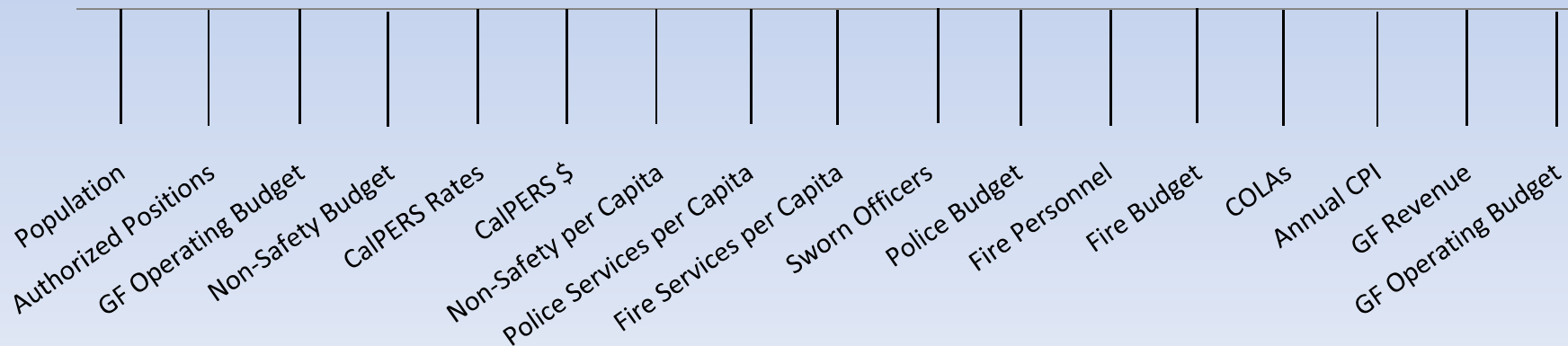
## Balancing the 5-Year

- Limited Options:
  - Continue to decrease expenditures (service delivery) to fit within available resources, including potential cuts to Public Safety services affecting paramedic, police and fire response
    - Staff has identified a variety of alternative reduction measures to balance the 5-Year projection
  - Increase revenues to keep pace with projected expenditure growth over next 5 years
    - Fee Study update is underway to ensure adequate cost recovery for development-related fees

# 5-Year Financial Plan

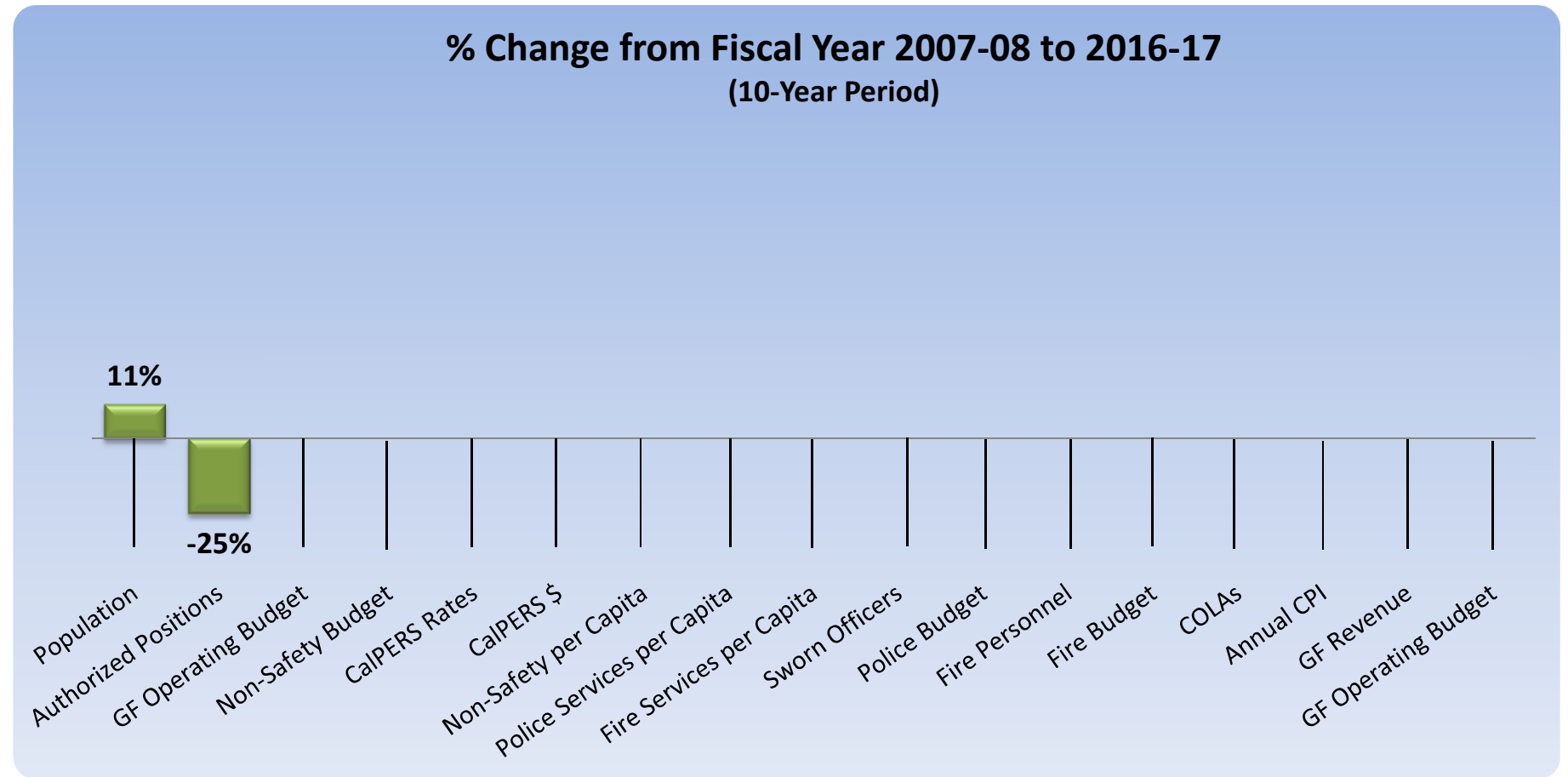
## 10-Year History of Cost Containment Measures

**% Change from Fiscal Year 2007-08 to 2016-17  
(10-Year Period)**



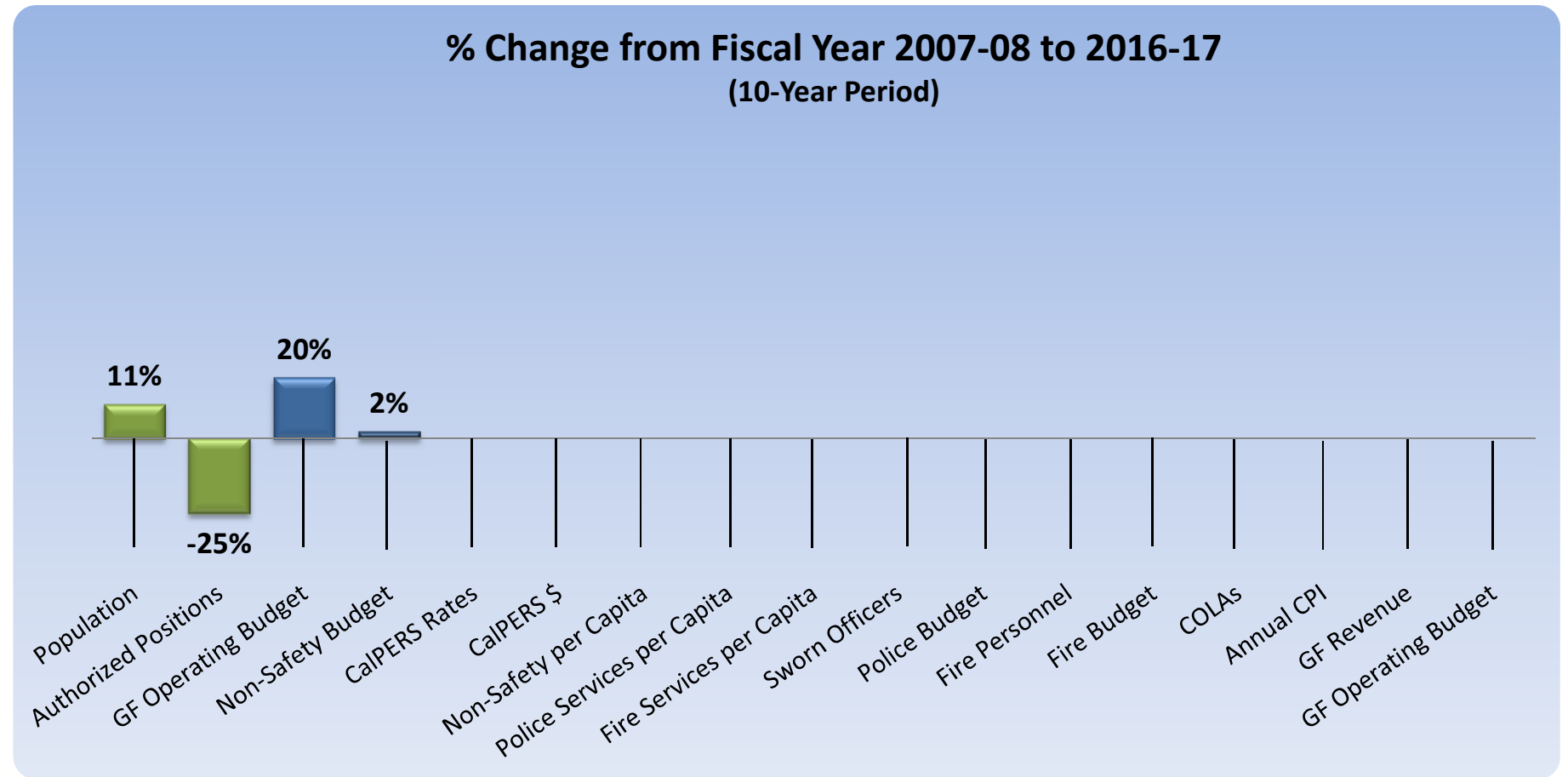
# 5-Year Financial Plan

## 10-Year History of Cost Containment Measures



# 5-Year Financial Plan

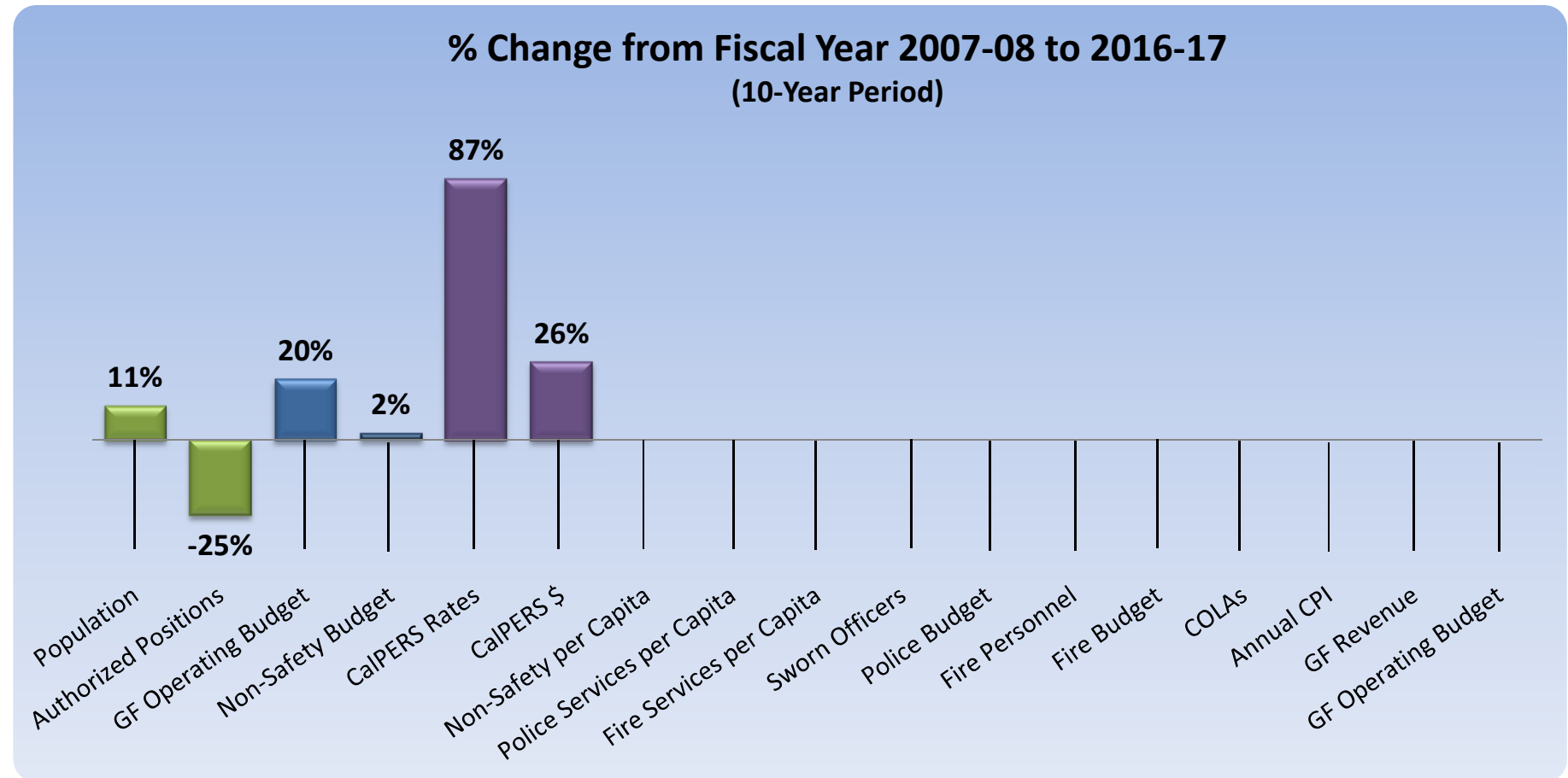
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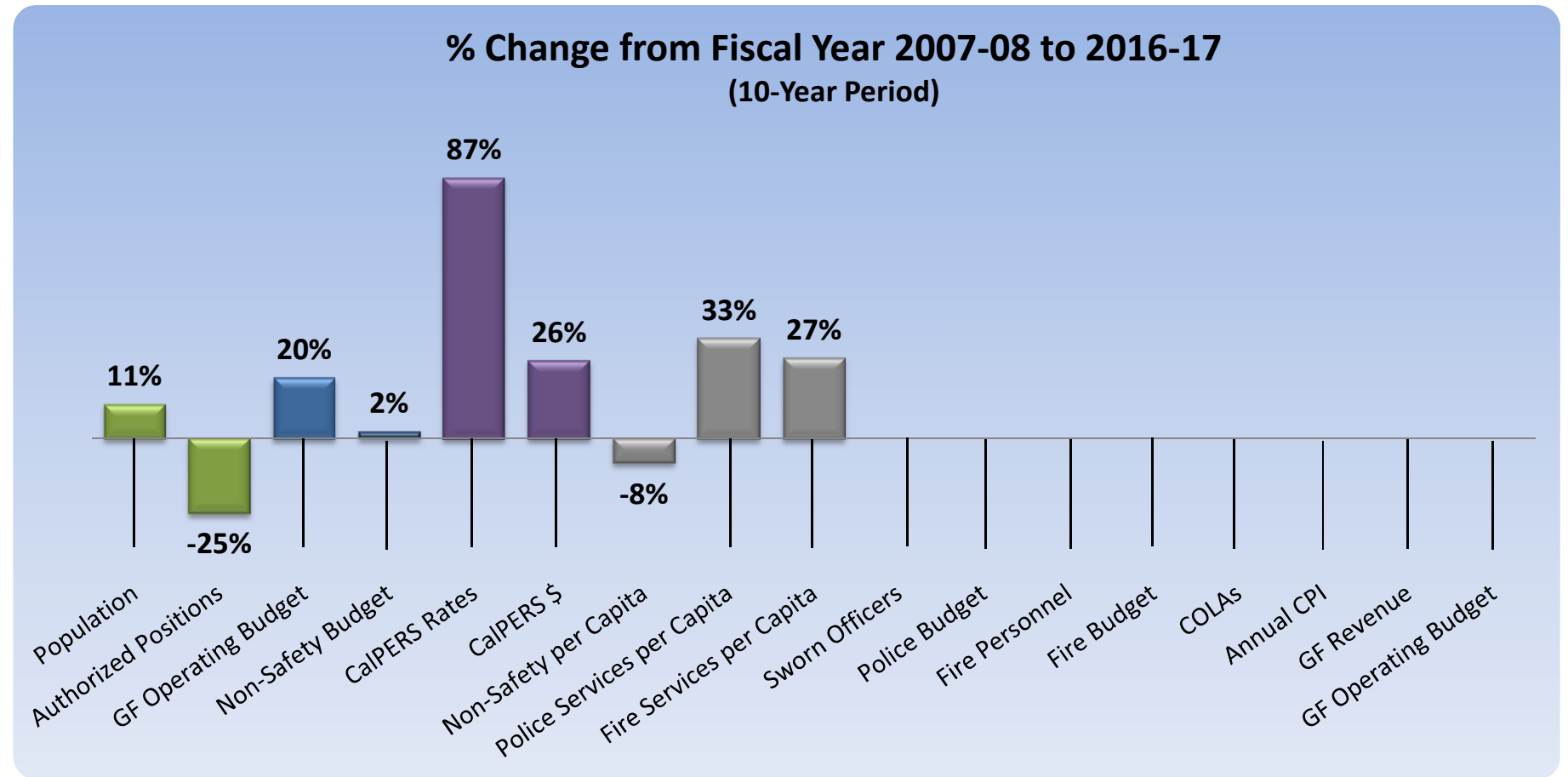
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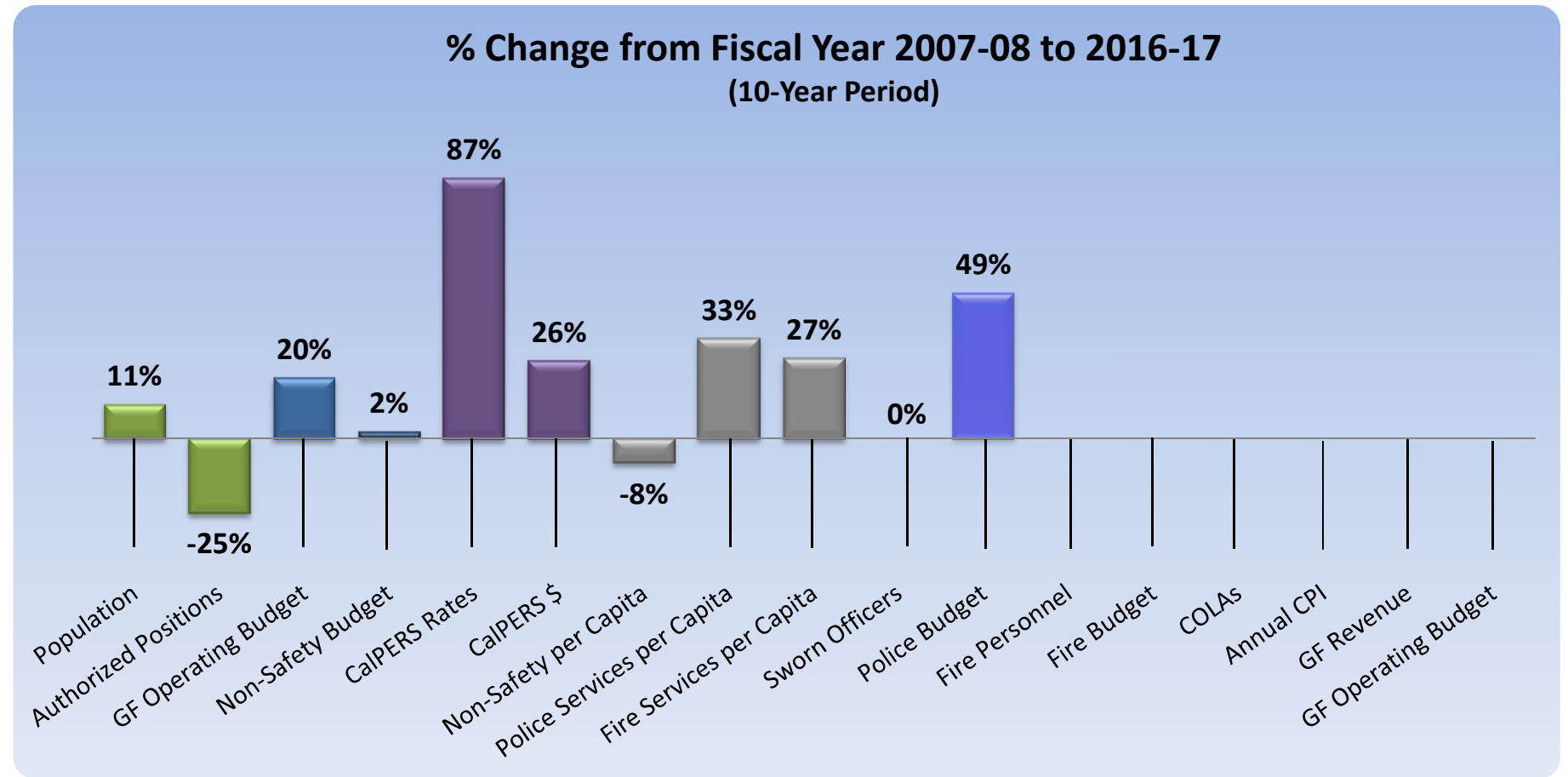
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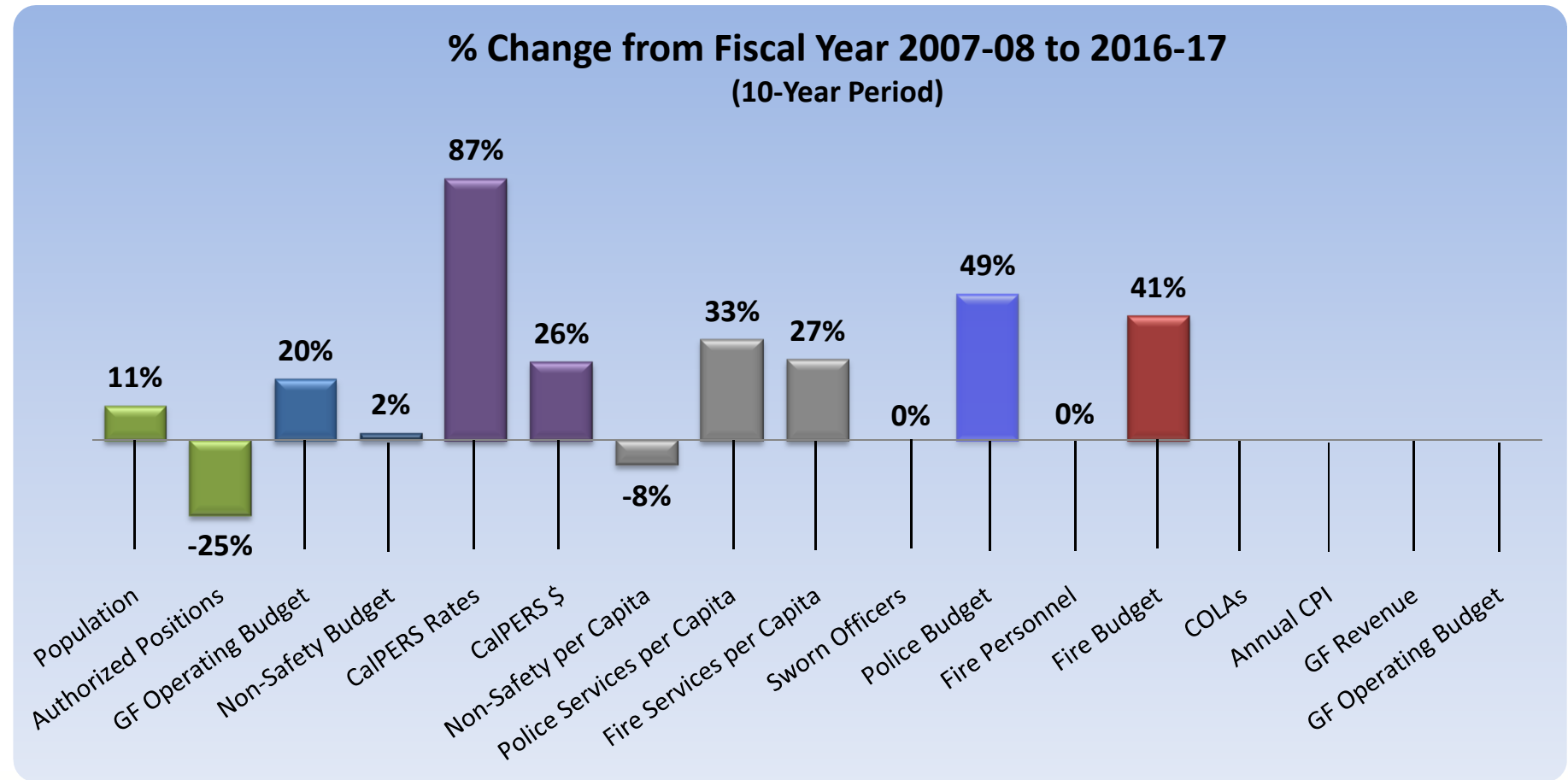
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# 5-Year Financial Plan

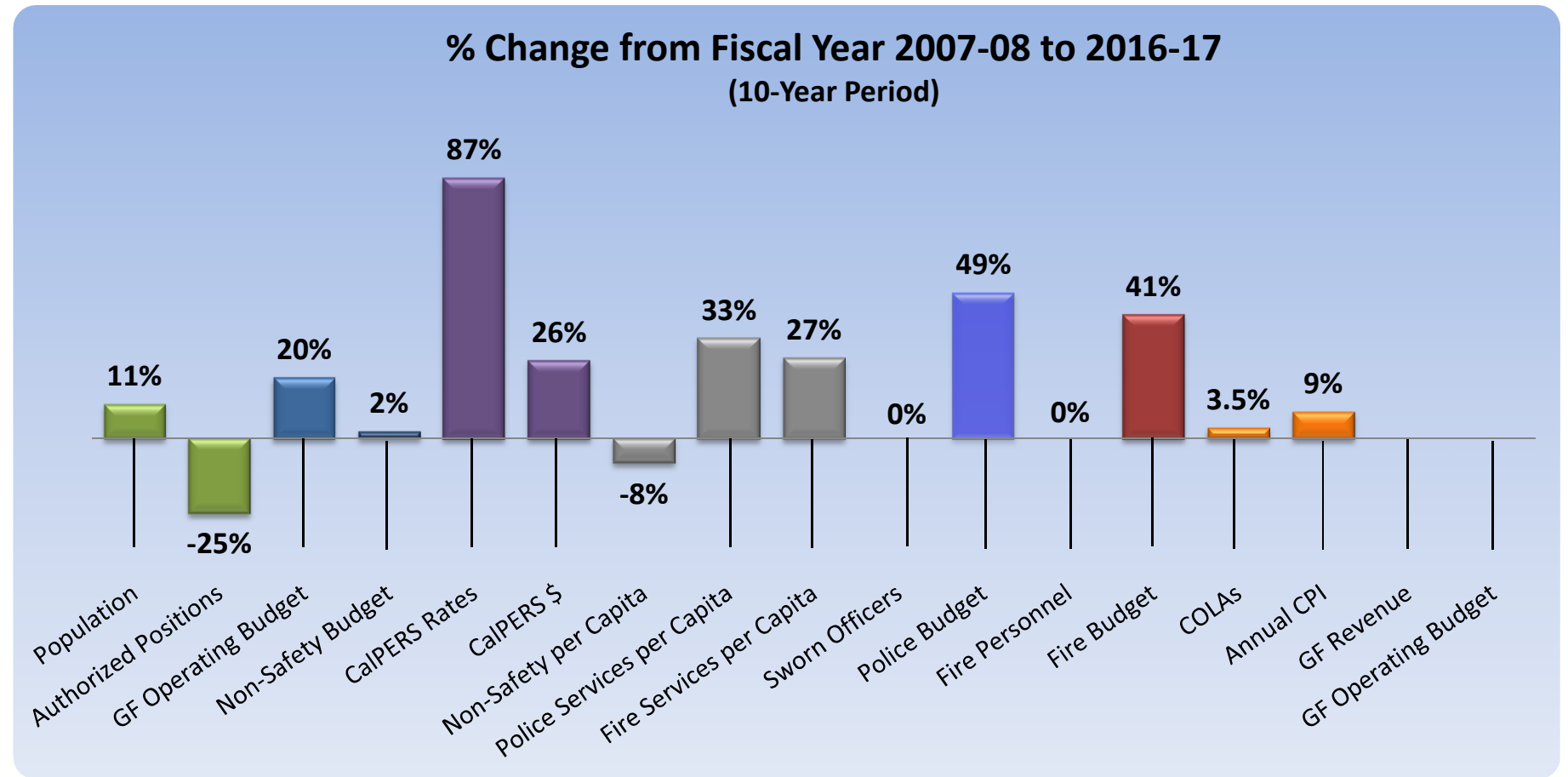
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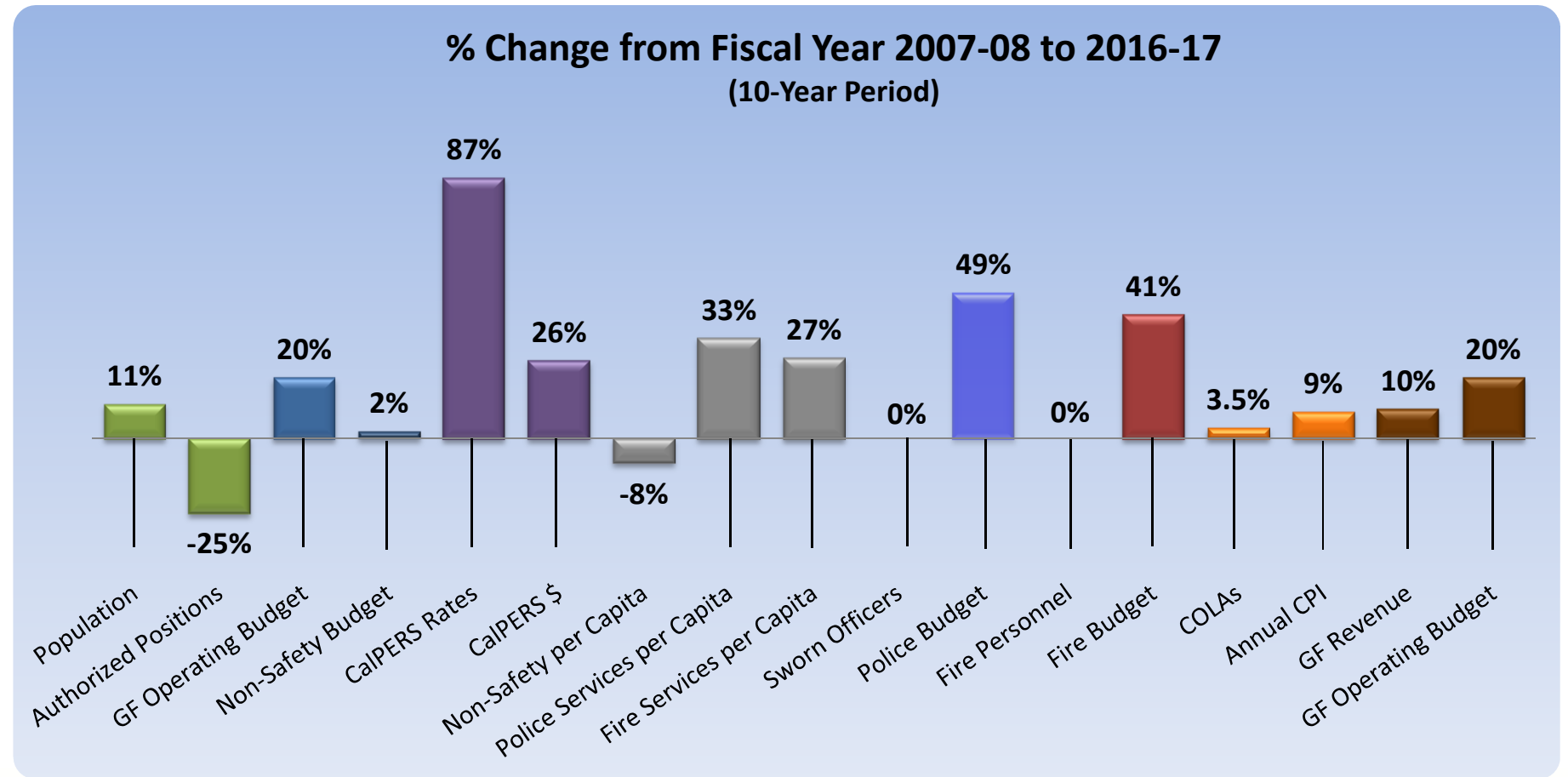
# 5-Year Financial Plan

## 10-Year History of Cost Containment Measures



# 5-Year Financial Plan

## 10-Year History of Cost Containment Measures



## 5-Year Financial Plan

### 10-Year History of Cost Containment Measures

- Staffing reductions
- Strategic debt management
- Operational efficiencies
- Deferred maintenance on facilities, parks & technology

*Estimated Annual Savings = \$23.1 million*

# 5-Year Financial Plan

## Additional Considerations

- Maintenance and reinvestment in the City's infrastructure
  - Parks/playgrounds/fields
  - Streets & roads
  - Aging facilities
- General Plan Update
  - Fiscal Impact Analysis for General Plan Amendments
- Opening Roripaugh Fire Station No. 95



## 5-Year Financial Plan

### Additional Considerations

- Continued expenditure reductions
- Take advantage of savings opportunities
  - CalPERS prepayment option (\$124k/year)
- Explore new/different law enforcement delivery models (Joint Powers Authority)





# “Join the Conversation” Update



## “Join the Conversation” - Update

### 2015 Budget Workshop / Post-Budget Meeting

Engage community to obtain feedback on priorities for maintaining quality of life and essential services

- Community Prioritization workshops
- Professional independent survey and results
- Additional education and engagement direction



## “Join the Conversation” - Update

- Survey Monkey, social media, general television and print media, City newsletters, City and school district e-blasts, City and Chamber guides, speakers bureaus, community leaders meetings, etc.
- Over **180,000** impressions in the community



## “Join the Conversation” - Update

- Community Priorities include:
  - Maintaining 911 emergency and police response times
  - Preventing cuts to paramedic services, local police and fire protection
  - Maintaining school safety patrols
  - Addressing traffic congestion on local streets
  - Preventing cuts to services for the disabled & seniors
  - Maintaining vital services and the quality of life residents have come to expect



## “Join the Conversation” - Update

- Next Steps...
  - Ongoing outreach efforts in June/July
  - June 14, 2016 City Council meeting
    - Consider award for 2<sup>nd</sup> independent community opinion survey
  - July 26, 2016 City Council meeting
    - Presentation on 2<sup>nd</sup> community opinion survey
    - Additional City Council direction



# In Conclusion...

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## Also, Special Thanks To...

**All Department Directors & Analysts  
&  
Temecula's Budget Team**

Jennifer Hennessy, Rudy Graciano, Pascale Brown,  
Shawn Jones & Shirley Robinson





